



Hog Prices: ↑ Soymeal: ↑
Corn: ↓ CDN Dollar: ↔

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, May 03, 2016

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Forward contract prices opened mostly higher this morning.

US cash markets started this week mostly higher, but hogs bought on a live basis were sharply lower than Friday, as packers paid a premium on spot deliveries. The trend is decisively higher in cash hog markets, with wholesale pork prices leading the way and having appreciated about 10% of their value over the last 3 weeks. Loins and hams, which together make up half of the hog carcass by weight, have surged higher while belly and rib primal cuts have declined. To some degree this reflects the recent changes in export and domestic demand with a larger portion of loins and hams being exported than that of pork bellies and ribs. The largest boost to export sales has been the weakening US Dollar which has dropped 5% over the last two months, making US pork more competitive in global trade. Lean hog futures have rallied about \$2.00/cwt over the last few trading days, providing even better hedging opportunities for the Sep – Feb timeframe when supplies of all meat is expected to be abundant.

Canadian delivered soymeal prices opened higher this morning.

Ongoing chatter suggests that continued volatility in the soybean futures trade will be sustained until much of the uncertainty is removed. For the most part, traders are hedging against potential supply constraints sparked from weather concerns in S. America – specifically, flooding damage that is estimated to influence between 2 – 4 MMT in losses, (with some as high as 8.7MMT). Speculation around a potentially yield damaging El Nino/La Nina shift in the US is also supportive, but so far unfounded. The market has been described as ‘top heavy’ given the recent information available, so the potential for a large correction downward is not impossible.

US corn futures opened lower this morning.

There are thoughts that the corn trade could be poised for some downside after gaining 30 cents USD/bu relative to the beginning of April. A slow start to the Brazilian Safrinha crop and persistent dryness is contributing to a wide range of production loss estimates, currently coming in between 4 - 10 MMT and adding to the uncertainty. As well, some are concerned that the US crop will not fare as well if uncooperative weather develops anytime between now and harvest which, in a farming context, is a long time. However, planting progress is well above the average pace, keeping the upside in check.

US Slaughter	
432,000	Monday
424,000	Monday (year ago)
Daily Prices	
W. Corn Belt	\$70.60
National	\$71.76
Iowa/S. MN.	\$70.64
Signature 3	\$162.38
HyLife	\$158.49
Thunder Creek	\$162.11
Sig 3 4-Month Fwd.	\$ 174.83
BoC Rate (Noon) prev. day \$1.2548 CAD / \$0.7969 USD	
Cash Prices Week Ending April 30, 2016	
Signature 3	157.23/71.32
h@ms Cash	155.73/70.64
HyLife	155.53/70.55
Thunder Creek	151.90/68.90
ISO Weans	\$38.85 US Avg.
Feeder Pigs	\$71.96 US Avg.
#1 Export Sows (+500lbs.)	\$41.00/cwt. (Tagged)

Fixed Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig. #3		181.06 186.86	180.74 187.70	169.25 183.17	155.33 161.71	154.58 155.74	132.56 148.20	134.30 140.09	134.47 142.54	142.54 146.00
Soymeal Wpg Delivered	493	499	498	494	491	486	484	484		
Corn	Local delivered price available on request									

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